

COMPREHENSIVE PILOT PROGRAM TO FIGHT URBAN POVERTY

(HO-0184)

EXECUTIVE SUMMARY

Borrower:	Republic of Honduras	
Executing agencies:	Honduran Child and Family Institute (IHNFA), the Ministry of Culture, Art and Sports (SCAD) and the municipal government of the Central District of Tegucigalpa, coordinated by the Ministry of Finance (SEFIN).	
Amount and source:	IDB (FSO):	US\$8,100,000
	Local:	US\$900,000
	Total:	US\$9,000,000
Terms and conditions:	Amortization period:	40 years
	Grace period:	10 years
	Disbursement period:	2.5 years
	Interest rate:	1% the first 10 years and 2% thereafter
	Inspection and supervision:	1%
	Credit fee:	0.5% per annum on the undisbursed balance
The problem:	<p>The city of Tegucigalpa is in a particularly serious state of disrepair, due mainly to the difficult economic situation the country has been enduring compounded by the devastating impact of Hurricane Mitch. The historic city center (HCC) in downtown Tegucigalpa is especially decayed because every day large numbers of people converge there in search of income, mostly in the informal sector. These groups, which come from various other parts of the city, consist of poor families with children from birth to 18. Some of these children go to school, others work and many are not cared for at all. In addition, there are homeless children and adolescents who live in the streets and are at risk of drug addiction and child prostitution.</p>	

Justification for an innovation loan:

The program has been designed as an innovation loan based on the following considerations: (i) it will promote consultation among the stakeholders in order to build a consensus on use of the space and cultural resources in the historic city center; (ii) it will focus on the above-mentioned transient groups, with the innovative approach of having the activities carried out at their place of work—in this case, the historic city center—, as opposed to the Bank's traditional approach to date of focusing on the place of residence; (iii) it will explore alternatives to ensure ownership of the cultural heritage and values on the part of society as a whole, especially low-income groups; (iv) it will use art as an instrument to fight poverty; and (v) it will test coordination of three agencies in an additional study for program implementation.

Objectives:

The general objective of the program is to develop and test a new, comprehensive model with which to fight urban poverty. Its specific objectives are to promote: (i) concerted political action and consensus-building on the use of public urban space; and (ii) innovative measures to improve social capital and opportunities for human development for transient groups in their place of work.

Description:

To achieve its objectives, the program will have two components that will be implemented concurrently: (i) citizen outreach to help design activities that will promote use by society as a whole of the cultural heritage, space and resources afforded by the historic city center; and (ii) pilot interventions for comprehensive services for vulnerable transient groups, especially children and adolescents.

Citizen outreach (US\$1.1 million). The program will finance technical assistance for: (i) development and implementation of a methodology for citizen outreach and participation to identify alternative solutions to the problems of transient poor groups and for use of public space in the historic city center for the benefit of society as a whole; (ii) formulation of a program for promotion and dissemination of the outreach program to generate interest on the part of possible participants in the consensus-building process; (iii) a feasibility study for city planning on rehabilitation of the historic city center for commercial, tourist and recreational use of the public urban space, based on the results of the outreach process; and (iv) visits for observation and exchange of experience with other cities in the region for the staff of the technical executing agency and representatives of the interest groups involved. The program may also finance certain small-scale works identified at various points in the outreach and consensus-building processes by the stakeholders.

Pilot interventions for care for vulnerable groups (US\$5.9 million), which will include: (i) a pilot program for comprehensive care for girls

and boys from birth to six, for the purpose of developing and testing new types of comprehensive care for preschoolers and to provide support for mothers and/or the family unit to improve child care in the home; (ii) a pilot program for cultural activities to supplement formal education for children from seven to 14, for the purpose of developing innovative practices using art and culture as instruments to protect children and mitigate risks and create new forms of social inclusion; (iii) a pilot vocational training program for adolescents aged 14 to 18, to test the introduction of a comprehensive approach to job training to facilitate entry into the formal labor market, with training provided by civil society organizations, the public sector and/or the private sector and connected with the objectives of the program 1; and (iv) minor construction works at the facilities where the pilot projects will be carried out.

**The Bank's
country and
sector strategy:**

The Bank's support program for Honduras fits into the Master Plan for Reconstruction and Transformation of the Government of Honduras (GOH). The pillars of the plan are fighting poverty, promoting the development of human capital and improving the social and productive environment. The program strategy is consistent with the Bank's policy of furthering these goals in that it endeavors to correct the most acute problems of urban poverty in an area where the various manifestations of extreme poverty are concentrated.

**Environmental
and social
review:**

The program is not expected to have any appreciable environmental impact, although some activities will improve the green spaces and thus improve environment. One positive consequence of the program will be to revive parks and recreation areas. CESI reviewed Profile I of this operation and, given the small scale of the physical works, made no special recommendations.

Benefits:

Since the program is designed to fight urban poverty in the place of work, it is expected to have positive social and economic benefits. The main social benefits will stem from the combination of activities targeting the most vulnerable groups, especially children and youth at risk, and female heads of household with children. The use of art and culture to promote comprehensive development of girls and boys will help develop a sense of ownership of the cultural heritage and values both by marginal groups and by society as a whole.

Other program benefits will be to: (i) explore the advantages of child care for working mothers in terms of improvements in the performance of their productive activities; and (ii) examine alternative vocational training schemes for adolescents.

Using the "learning by doing" approach for program execution, the executing agencies may determine the feasibility of the proposed

options and make any necessary adjustments for their future application on a larger scale. Moreover, through its comprehensive approach to addressing the needs of poor families, upon program completion GOH will have gained experience in addressing the problem of urban poverty at the place of work, founded on the actual situation in Tegucigalpa.

Risks:

The program faces the following risks: (i) the services to be provided in the HCC may attract even more transient groups, but this risk will be mitigated through the selection criteria for the beneficiaries, who, among other requirements, must prove seniority as transient workers in the HCC; (ii) a consensus on commercial, tourist, and recreational rehabilitation of the HCC public spaces may not be reached, but this risk will be mitigated through the system for consultation, negotiation, and consensus-building that will ensure that agreements can be reached and enforced; and (iii) delays in the implementation of program activities may occur if preparation of the social action plans and terms of reference for services are delayed, but this risk will be mitigated through the funds to be assigned under the program to hire consulting services to support the executing agencies in the activities.

Special contractual clauses:

As a condition precedent to release of the first tranche, the GOH will submit the following documentation to the Bank: (i) evidence that the coordination agreements between SEFIN and each of the executing agencies, as stipulated in paragraph 3.4, have been signed; and (ii) the operating guidelines for the program, as described in paragraph 3.13.

The Bank may recognize up to US\$75,000 equivalent in expenses incurred after 13 September 2000 and before approval of the loan to hire the general coordinator for the program and to purchase office equipment and materials for the PCU for retroactive financing, provided Bank procedures were followed.

Once the conditions set forth in subparagraphs 4.01 (a), (b) and (e) of the General Conditions have been fulfilled, the Bank may make a special disbursement of up to US\$200,000 from the loan proceeds to initiate the program activities to cover the cost of hiring the social-sector specialist for the PCU and the specialized firm that will formulate the evaluation methodology called for under the program.

Poverty-targeting and social sector classification:

This operation qualifies as a project to reduce poverty and enhance social equity, as described in the key objectives mandated by the Bank's Eighth Replenishment (document AB-1704) (see paragraph 4.5).

The operation also qualifies as a poverty-targeted investment (PTI). The borrowing country will be using the 10% points in additional financing (see paragraph 2.23).

Exceptions to Bank policy:

None.

Procurement:

The thresholds above which procurement will be subject to international competitive bidding are US\$250,000 for goods and related services, US\$1 million for works and US\$200,000 for consulting services. In the case of works, goods, related services and consulting services below those thresholds, the procedures stipulated in Annex D to the loan contract will be followed until the Government Procurement Act enters into force. The thresholds set forth in Annex D are as follows:

Type of procurement	Local competitive bidding (LCB)	Limited local bidding (LLB)
Works	Over US\$200,000	Less than US\$200,000
Goods and related services	Between US\$75,000 and US\$250,000	Less than US\$75,000
	Open call for proposals	Restricted call for proposals
Consulting services	Between US\$75,000 and US\$200,000	Less than US\$75,000